

# Corporate Activity and Workstyle Reforms as Seen in Office Relocation



Companies are using office relocations as a chance for workstyle reforms

March 13, 2018

What are the characteristics of a company's behavior when moving into a new office due to relocation or new opening? Xymax Real Estate Institute conducted a questionnaire survey of companies that moved into a new office between 2016 and 2017 to ask about the behavior of the person in charge from office search to moving in, and about companies' initiatives in workstyle reform, a movement that is becoming increasingly widespread.

This report summarizes the relationship between office demand and workstyles and the changes in such relationship as seen in companies' office relocation behavior, based on the results of the questionnaire.

## Main Topics

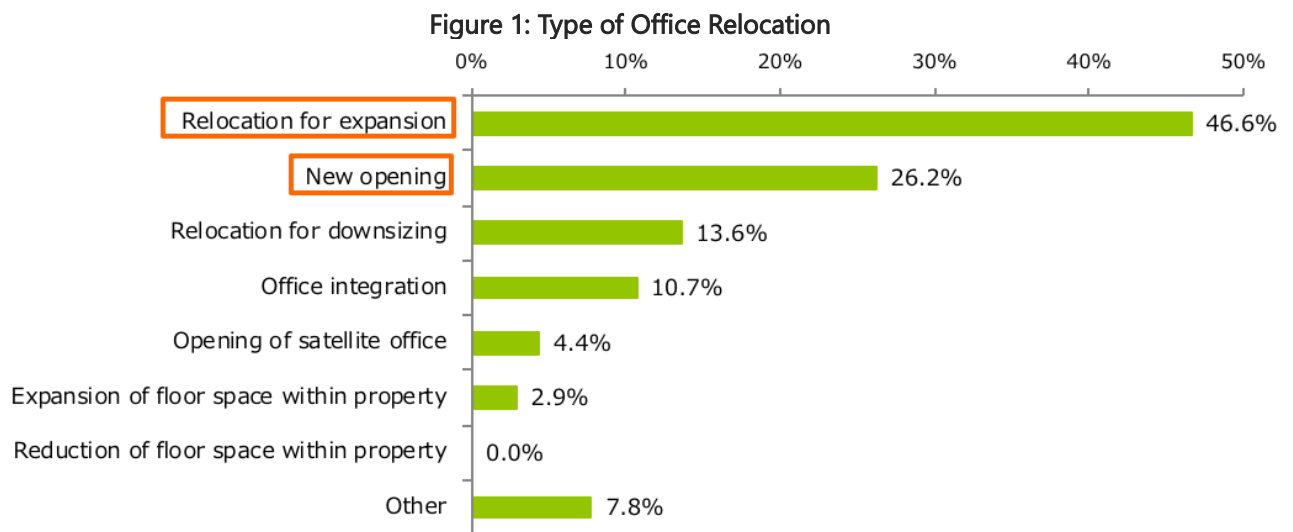
- In terms of the type of office relocation, "relocation for expansion" was the most popular (46.6%), followed by "new opening" (26.2%) and "relocation for downsizing" (13.6%), indicating robust demand for offices.
- The most popular reason for the relocation was "space became small due to personnel increase" (41.7%). 28.6% of companies chose "to heighten motivation of employees," indicating companies' high interest in employee satisfaction.
- In choosing an office, companies placed the most importance in "rent," "size of space" and "proximity to nearest station." On the other hand, the top requirement that was forsaken was also "rent." This indicates that a certain number of companies increased their budget after struggling to find an office that met their requirements.
- In terms of difficulties companies faced between considering relocation and completion of the move, the top replies included "narrowing down the properties," "confirming the layout plan" and "negotiating contract terms (e.g. rent)."
- 60.7% of companies introduced a new office layout when moving into a new office in order to improve workstyles. Specific examples include "an open meeting space," "space for employees to refresh" and "ABW"\*.
- The most popular purpose of introducing a new office layout was to "improve comfort of the office space" (34.5%), indicating companies' awareness toward employee satisfaction.

\*ABW (Activity Based Working): A layout with a variety of work areas that can be chosen according to the work, such as booths for concentrating on solo work and space to collaborate in a team.

1. Companies' behavior in office relocation

There are many types of office relocation. While some may be the moving of entire functions from the previous office (ie, relocation), while others may be the opening of a completely new sales office or an integration of multiple offices to a single new office.

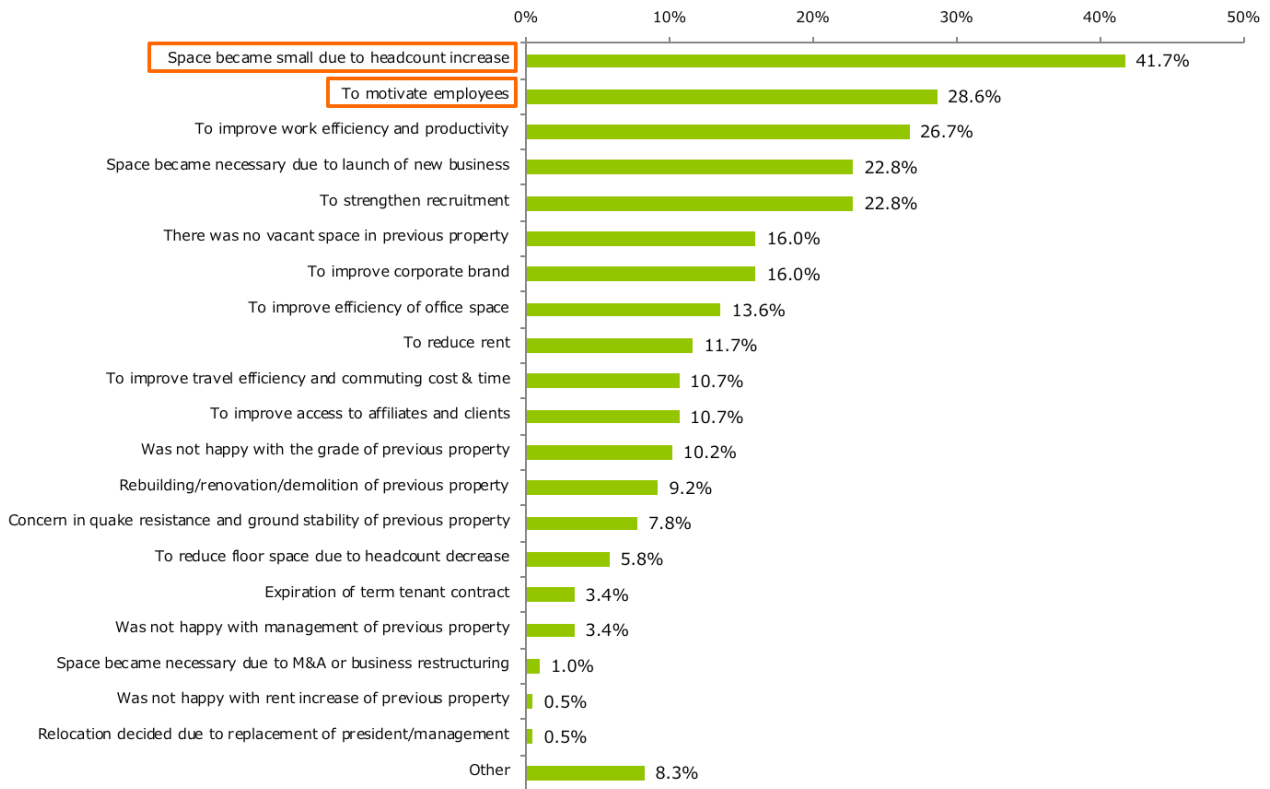
Asked about the type of office relocation, 46.6% of companies replied that it was a "relocation for expansion," followed by "new opening" (26.2%). On the other hand, "relocation for downsizing" and "office integration," which are generally factors for a decrease in floor space, were at the 10% level, indicating the strength of demand (Figure 1).



(Multiple answers; n=206)

In terms of reasons for the relocation, the results indicated a robust corporate economic state as in **Figure 1**, with top replies including “space became small due to headcount increase” (41.7%), “space became necessary due to launch of new business” (22.8%) and “to strengthen recruitment” (22.8%). A rise in companies’ interest in employee satisfaction was also evident, with 28.6% of companies replying that the reason for the move was “to motivate employees” (**Figure 2**).

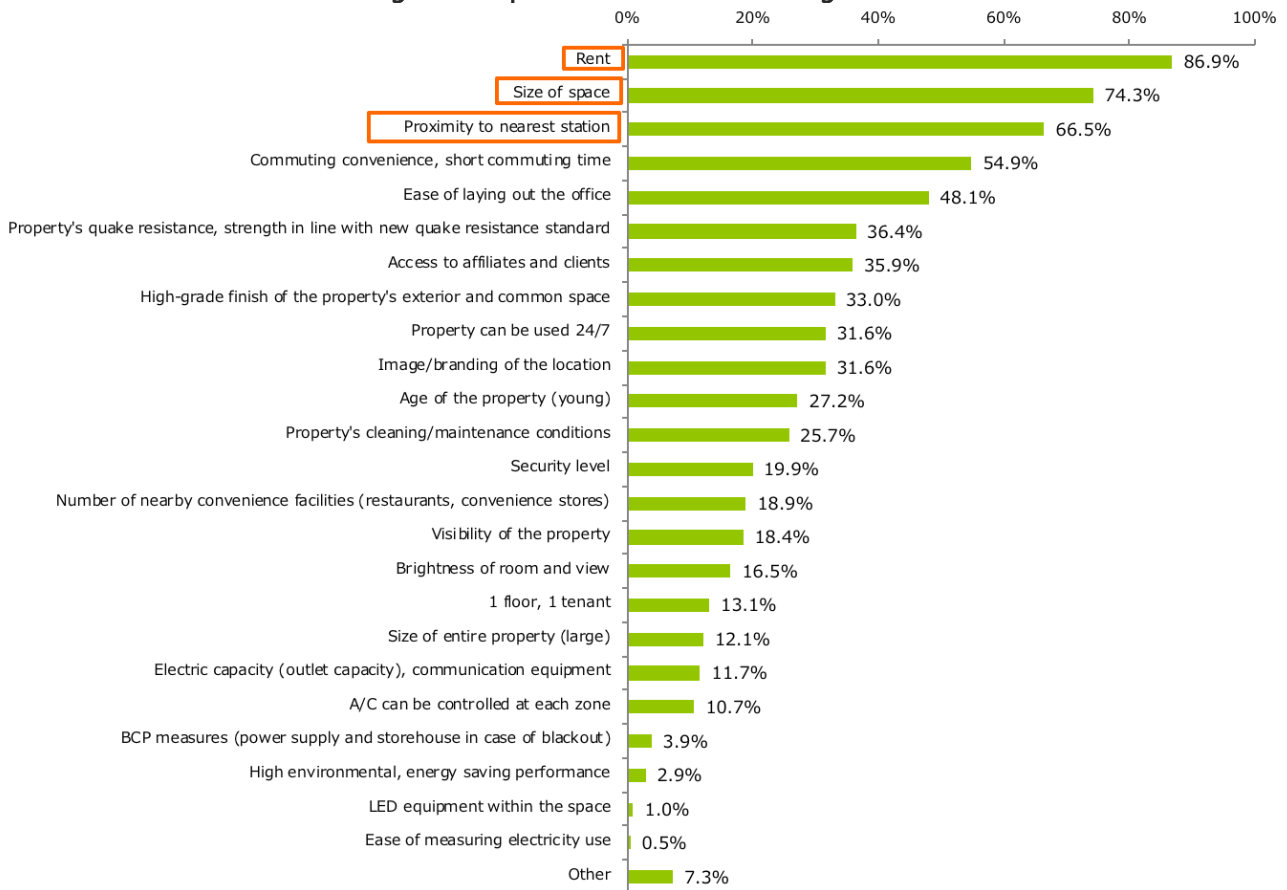
**Figure 2: Reason for Office Relocation**



(Multiple answers; n=206)

From what perspectives do persons in charge of the process of finding an office to moving into an office search for offices? We asked them what factors they placed importance in when choosing an office and from among them the deciding factor and the factors that they forsake in the end.

Figure 3: Important Factors in Choosing an Office



(Multiple answers; n=206)

The top replies for the important factors and the deciding factors were "rent," "size of space" and "proximity to nearest station" (Figures 3 and 4). This indicates that companies set their budget and necessary space beforehand when looking for property.

However, the top requirement that companies forsook was also "rent" (Figure 5), indicating that a certain number of companies had to increase their budget since they could not find an office that met their requirements at the rent level they assumed in the current tight market. The results also revealed that requirements such as the "age of the property (young)" and "high-grade finish of exterior and common space of property" were forsaken in a relatively large number of cases.

Figure 4: Deciding Factors in Office Selection (Excerpt of Top Replies)

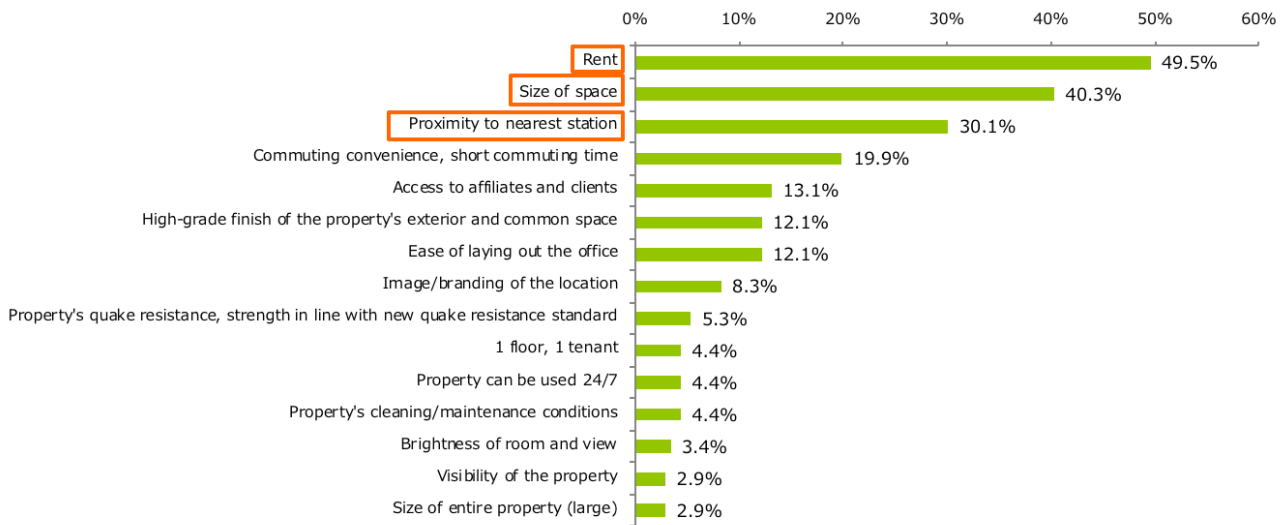
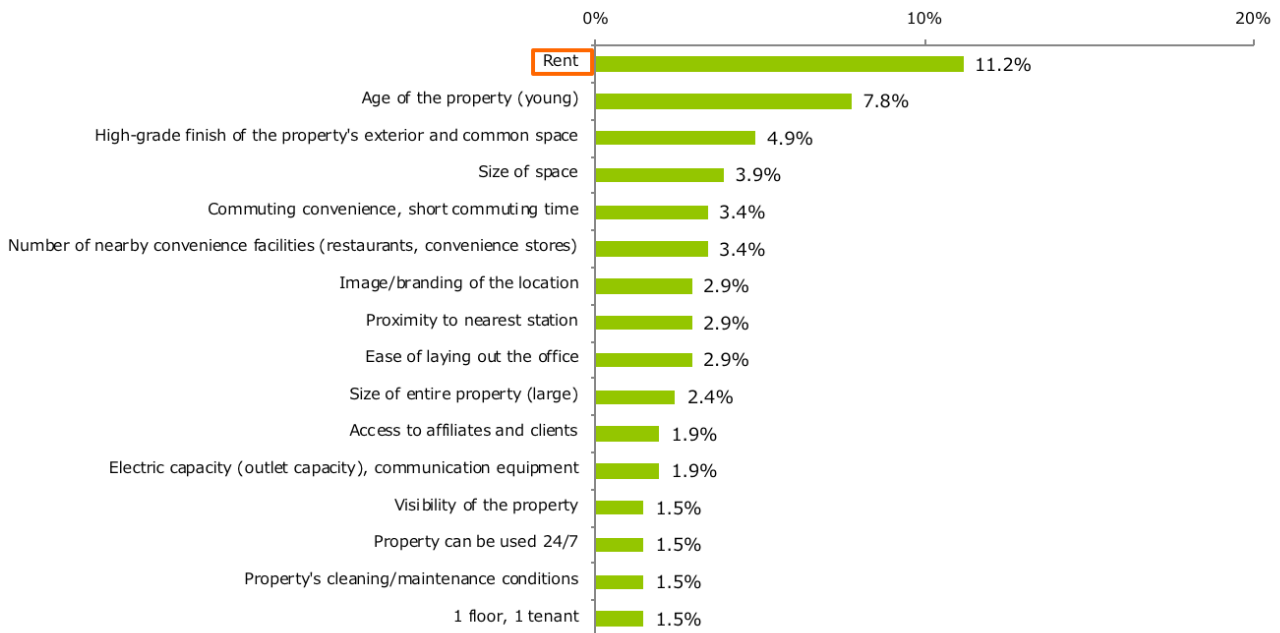


Figure 5: Requirements Forsaken in Office Selection (Excerpt of Top Replies)



(Figures 4 and 5: Multiple answers; n=206)

<Pick Up> What kind of offices do companies that aim to motivate employees require?

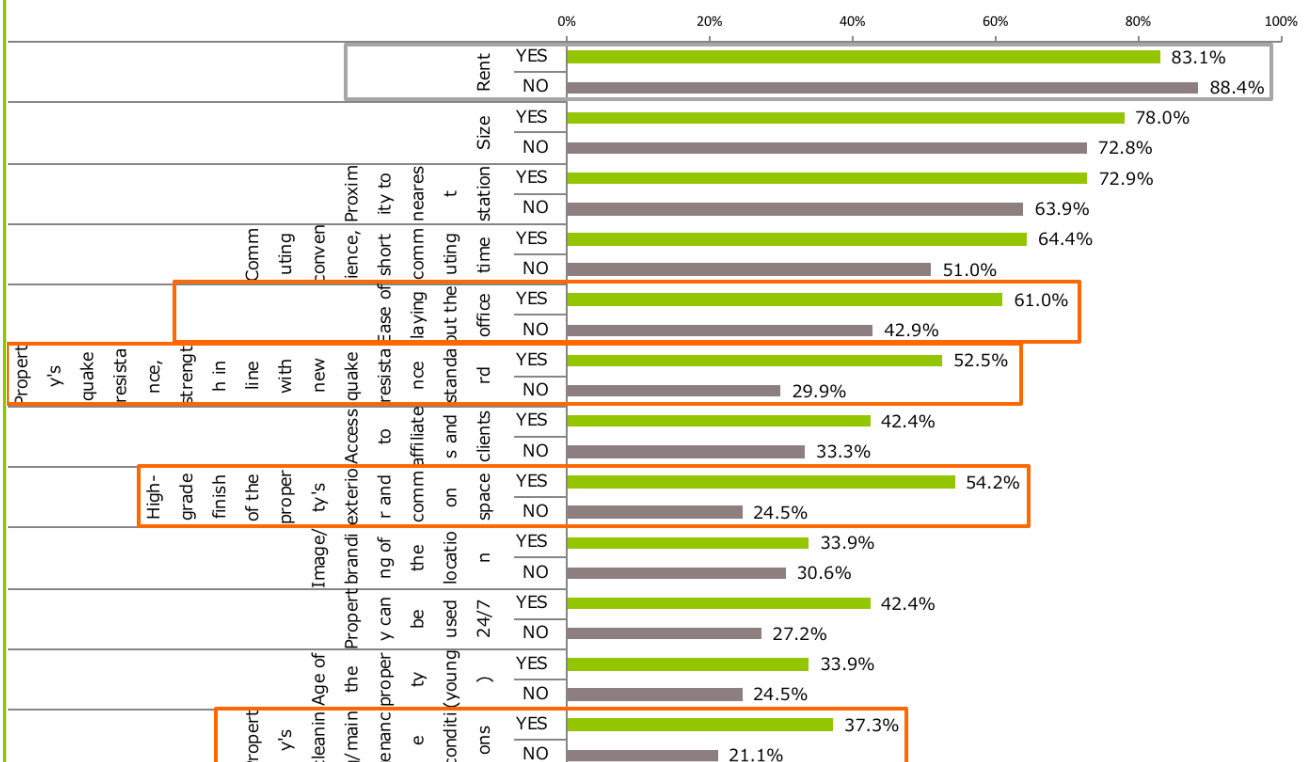
As we saw in Figure 2, 28.6% of companies replied that they were relocating their office “to motivate employees.” Such companies may be more conscious of the impact of office environment on the motivation of employees than other companies.

Then, what kind of office do such companies with high interest in office environment and employee satisfaction actually require? We compared the important factors in office selection by labeling companies that chose “to motivate employees” as a reason for office relocation “Yes” and all other companies “No” (Figure 6).

The chart indicates that companies labeled “Yes” require more in offices than companies labeled “No” since the former places greater importance on almost all requirements than the latter. The difference was especially large in requirements related to workers’ comfort and safety such as “ease of laying out the office,” “property’s quake resistance, strength in line with new quake resistance standard,” “high-grade finish of the property’s exterior and common space” and “property’s cleaning/maintenance conditions.” On the other hand, the importance on “rent” was relatively low, indicating that such companies require a better office environment even at a relatively expensive rent.

Figure 6: Difference in the Importance of Requirements in Offices between Companies that Chose “To Motivate Employees” as a Reason for Relocation and Companies that Did Not (Excerpt of Top Replies)

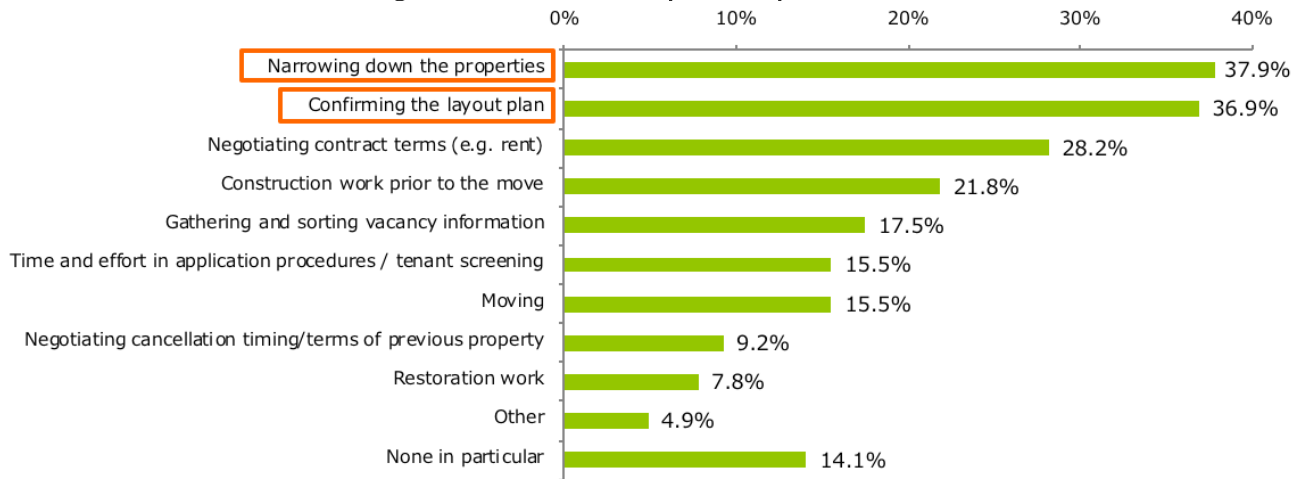
\*Companies that chose the reason are labeled “Yes” (n=59); those that did not are labeled “No” (n=147)



(Multiple answers)

The most common difficulties that companies experienced between considering relocation and the completion of the move were “narrowing down the properties” and “confirming the layout plan,” both accounting for nearly 40%, respectively (Figure 7).

Figure 7: Difficulties Companies Experienced



(Multiple answers; n=206)

Asked to freely describe the details of the difficulties, many respondents cited difficulties in finding a property due to low vacancy rates and the rise in rent in recent years. Many also mentioned difficulties in practical work since many respondents are thought to have come in charge of the work for the first time due to the low frequency of projects such as office relocations and new openings. Excerpts of the free descriptions are shown below.

■Reference material■ Free description of details of the difficulties (excerpt)

Difficulty in finding a property

- Could not find a property that met the budget.
- It was difficult to find a property of the required size in the required area.
- Since the previous rent was low, it was difficult to find a property of a similar rent level in a nearby location.
- It was difficult to choose since each property had its good points and bad points such as location, size, shape of the office and owner.
- There was no property that satisfied my requirements, which were: (1) close to the station; (2) parking lot in the building; and (3) high grade. A property that offered a combination of (1) and (2) was especially difficult to find.
- Even if a property seemed good, there were some drawbacks such as old age and bad transportation facilities, making it difficult to decide.

Difficulty in practical work

- I was constantly ill at ease since I had to learn on the job due to it being my first office relocation and having no common knowledge of the procedures.
- Internal coordination such as the approval of management took time, resulting in a delay in the actual move.
- Explaining Japan’s rental office customs and rent level to the overseas head office, which have the decision-making authority, and obtaining their understanding.
- There were too many internal points of contact and persons in charge, making it difficult for things to proceed.
- The timing of property search coincided with the peak season of business, resulting in difficulty in securing time for previews of candidate properties and checking the contract.

- It was difficult to coordinate the timing of vacating the previous office and the moving into the new office.
- The price of the interior construction work contractor we had in mind was higher than expected and had to change the contractor, resulting in a delay in the arrangement of construction work.
- Multiple defects due to aging were found after we started interior construction work prior to our move, affecting the progress of the construction work.
- It was difficult to think of a layout that secured the necessary number of desks by arranging desks neatly in a small amount of space.
- Even if the layout was fixed in the drawing it did not work out at the actual site, which led to many changes.
- Many additional costs were subsequently added, resulting in a greater cost for relocation than assumed.



<Pick Up> Key words mentioned as requirements in the search of an office

A common way to search for an office would probably be to decide the broad requirements first and then narrow down the candidates. Therefore, in this survey we asked respondents to describe their requirements of location, size of space and rent as well as the reasons. Since specific location names and figures vary significantly, we classified the replies in terms of the pattern of words and the way they are mentioned.

In terms of location, it was most common to specify a certain station (e.g. "around Shinjuku Station") (43.7%), followed by a certain area (e.g. "Dojima area," "around Yaesu") (37.9%). Specifying wards and cities accounted for only 13.1% (Figure 8). The most popular reason for preferring a certain area was "it is close to the previous/current office" (25.7%), indicating that many companies look for an office in the same area as their existing office (Figure 9).

In terms of the size of space, 86.4% of the companies replied a specific figure (in tsubo/square meters). The most popular reason for the preferred size was "based on the number of workers in the office" (32.5%), followed by "comparison with previous/current office (similar size, xx times, etc.)" (30.6%).

In terms of the reason for the preferred rent, most companies decided the preferred rent in comparison with the rent before the relocation or with existing offices (36.4%). There was also a strong intention to reduce costs, with "as cheap as possible" accounting for 21.8%. On the other hand, 5.3% of companies replied that they did not place emphasis on rent (they placed emphasis on factors other than rent), indicating a difference in awareness toward office costs.

Figure 8: Preferred Area

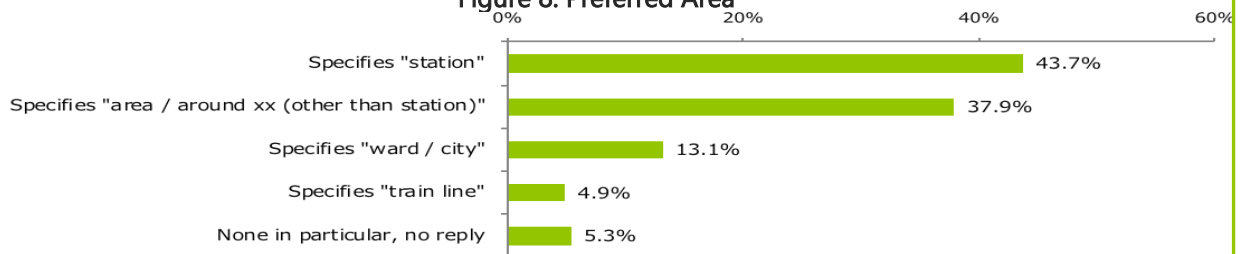
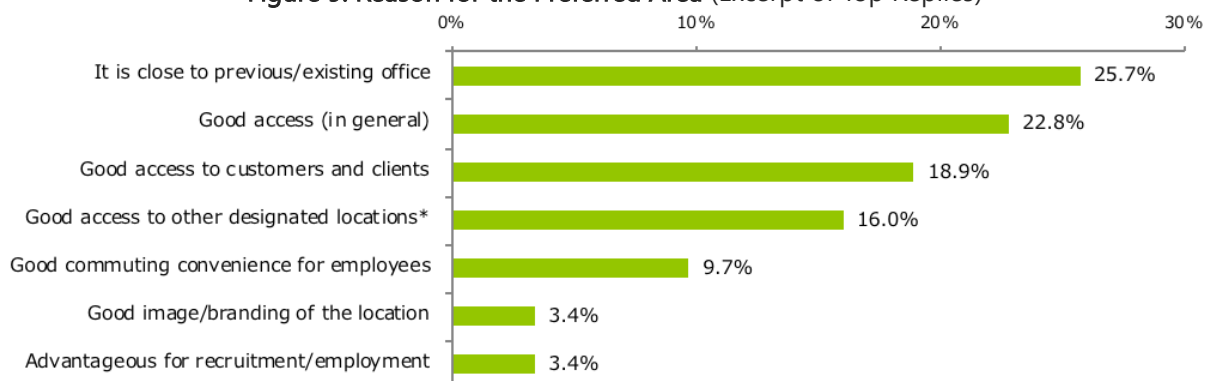


Figure 9: Reason for the Preferred Area (Excerpt of Top Replies)



\*Locations/facilities necessary for business such as company head office, branch, store, plant, gov't office, customs office and court.

(Figures 8 and 9: Multiple answers; n=206)

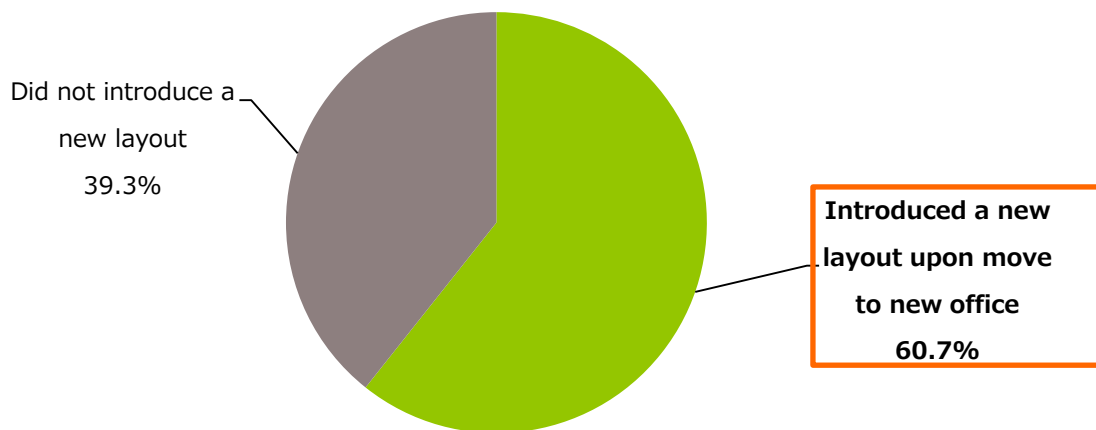
## 2. Workstyle Reforms on the Occasion of Office Relocation

Office relocation also seems to be a trigger for changing the previous way of working.

Companies that introduced (or plan to introduce) a new layout such as space for refreshing and ABW\* with the aim of changing workstyles amounted to 60.7% of total (Figure 10).

\*ABW (Activity Based Working): A layout with a variety of work areas that can be chosen according to the work, such as booths for concentrating on solo work and space to collaborate in a team.

Figure 10: Whether a New Layout was Introduced upon Moving into the New Office (Incl. Plans to Introduce)

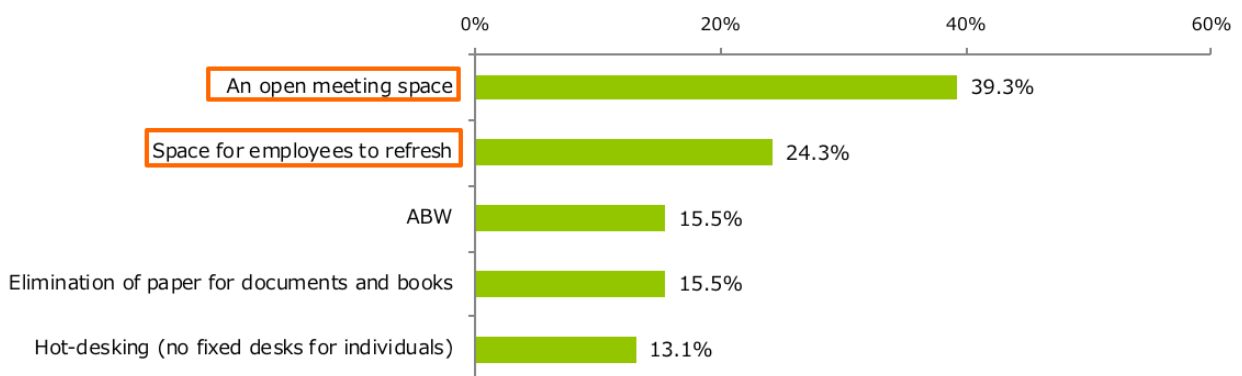


(Single answer: n=206)

We believe that the background to this is the high barriers for office reform. As workstyle reforms gather momentum, not a few companies must be facing issues in old-fashioned, fixed offices. However, it is not easy to carry out drastic reforms while continuing day-to-day work at the office they currently use. In this regard, office relocations and new office openings could be a chance for companies to pursue an office that offers a better working environment for employees and to change workstyles.

The specific layouts that companies introduced includes “an open meeting space” (39.3%), “space for employees to refresh” (24.3%) and “ABW” (15.5%), which are multi-purpose spaces that can be used flexibly (Figure 11).

Figure 11: New Layout Introduced upon Moving into the New Office

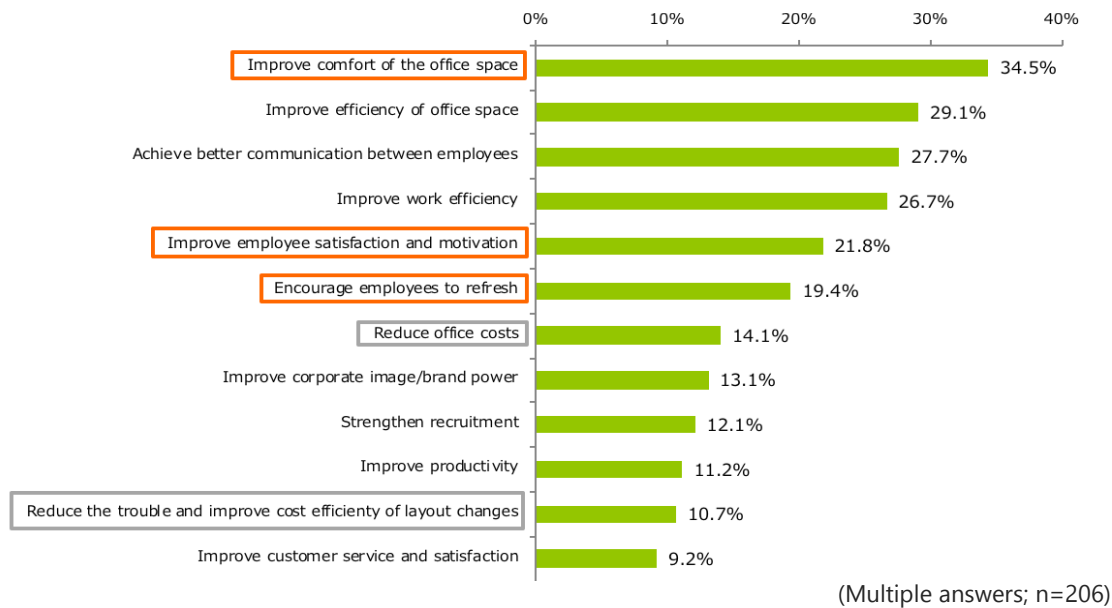


(Multiple answers;n=206)

The most common reason for introducing the layout replied in **Figure 11** was to “improve comfort of the office space” (34.5%).

Other top reasons included “improve employee satisfaction and motivation” (21.8%) and “encourage employees to refresh” (19.4%), indicating an emphasis on the impact of the office on workers’ state of mind. On the other hand, factors related to cost reduction such as to “reduce office costs” (14.1%) and to “improve trouble and cost efficiency of layout changes” (10.7%) ranked relatively low (**Figure 12**).

**Figure 12: Reasons for Introducing a New Layout** (Excerpt of Top Replies)



### Summary

In recent years there have been media reports of companies that relocate their office for workstyle reform. However, we assume that most companies relocate their office out of more direct necessity. As we saw in **Figure 2**, more than 40% of companies that moved into a new office replied that the “space (of their previous office) became small due to headcount increase,” leading us to believe that many of the relocations are carried out under restraints in time and property options.

This survey revealed that, even in cases of such relocations made out of necessity, not a few companies required better offices in recognition of the impact of offices on workers’ comfort and motivation. This trend has been confirmed in interviews with some of the respondent companies. For example, an IT company that replied that they relocated their office for expansion to respond to an increase in headcount was aiming to improve the comfort of employees under the order of the president by enhancing the space for employees to refresh and thus reduce job turnover.

The relationship between employee satisfaction and the office is a theme that every company we interviewed showed high interest in. A rise of such awareness may change what companies require in an office. We hope to continue to capture such changes in trends through qualitative and quantitative surveys and analyses on office demand at the time of relocation.

Survey Overview

<b>Title</b>	Questionnaire on Office Relocation
<b>Survey period</b>	June 2016–December 2017
<b>Targets</b>	The questionnaire was sent to tenant companies that moved into office buildings managed and operated by the Xymax Group and companies that moved into offices through the brokerage of Xymax Infonista (formerly Xymax Estate Design) around 2016 and 2017. Valid responses were obtained from 206 companies.
<b>Geographical coverage</b>	Prefectures in Japan (Tokyo, Osaka, Aichi, Fukuoka, Kanagawa, Saitama, Chiba and others)
<b>Method</b>	Email

Profile of Respondent Companies

		%	n			%	n
<b>Industry</b>	Service	20.9%	43	<b>Type of office under lease contract</b>	Head office	36.4%	75
	Telecommunications	20.4%	42		Branch office	28.6%	59
	Manufacturing	13.6%	28		Sales office	25.7%	53
	Trading company / Wholesale	9.7%	20		Satellite office	4.9%	10
	Construction	5.3%	11		Computer room / Communication room	1.0%	2
	Real estate	3.9%	8		Rental office / Serviced office*	0.5%	1
	Publishing / Advertisement / Mass media	3.4%	7		Call center	0.5%	1
	Groups / Unions	2.4%	5		Other	2.4%	5
	Financial / Insurance	2.4%	5		<b>Location of office under lease contract (City)</b>	Tokyo 23 wards	58.7%
	Education	1.9%	4	Osaka		6.3%	13
	Medical / Welfare	1.9%	4	Nagoya		8.3%	17
	Food / Beverage	1.0%	2	Fukuoka		1.9%	4
	Retail	1.0%	2	Other		24.8%	51
	Transportation / Warehouse	1.0%	2	<b>Size of office in tsubo (1 tsubo=3.3 sqm)</b>	Less than 30	31.1%	64
	Civil service / Infrastructure	0.5%	1		Up to 50	24.3%	50
	Academic / Research	0.5%	1		Up to 100	18.9%	39
	Other	8.3%	17		Up to 200	16.0%	33
	No reply	1.9%	4		200 or more	9.7%	20
	<b>Number of employees</b>	Less than 100	48.1%	99	*Offices equipped with the necessary equipment and service for business		
100–999		35.4%	73				
1,000 or more		16.5%	34				

Note on the charts contained in this report

- The sum of the breakdown of the %mix may not be 100% since the figures are rounded to the second decimal place.

Please contact below for inquiries on this report.

**Xymax Real Estate Institute**  
<https://soken.xymax.co.jp> PHONE: 03 3596 1477 | FAX: 03 3596 1478 | E-MAIL: info-rei@xymax.co.jp